

Taking the CPA Examination

An Honors Thesis (HONRS 499)

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### History of the CPA Examination

For many people, the CPA examination is considered to be one of the most rigorous professional examinations in existence. The entire exam takes 19 1/2 hours, over a three-day span. For some, the key to overcoming this seemingly monstrous task is to take the entire examination and break it up into smaller sections, which can be attacked one by one, on a day to day basis. Psychologists have concluded that one of the main reasons for procrastination is the fact that the task at hand appears to be insurmountable, and, therefore, the individual keeps putting it off until another day. Irvin Gleim and Patrick Delaney sum it up best by stating, "Now is the time to make the commitment."<sup>1</sup> In their CPA Examination Review, they break the examination up into 44 manageable sections or modules, with each one focusing on a particular aspect of public accounting. Each module can be completed in one study session, and, therefore, instead of one insurmountable task, it becomes 44 easily accomplishable tasks. One must remember that passing the examination is an attainable goal, but one also must remember that it will take some will power and some very hard work.

The purpose of the CPA examination is to measure the basic technical competence of those individuals who wish to be licensed in public accounting. The exam not only tests the

textbook skills of the individual, but also tests the individual's ethical standards. In the field of public accounting, ethics are of an utmost importance, and cannot be overlooked. One issue which appears to be the same for all public accountants is that the exam should be taken as soon as possible after finishing the undergraduate accounting program. This seems to be a logical conclusion since 1) the exam is composed mainly of textbook material and 2) the student is acquainted with long hours of study and test taking.

The initial question which needs to be answered is, What is a CPA? A Certified Public Accountant is an individual who has demonstrated a high level of competence in the field of accounting, and has therefore satisfied the requirements for licensing by an appropriate state regulatory body.<sup>2</sup> The profession of accounting is not limited to only CPAs, but through research, it appears that success in the field can be linked to the successful completion of the certification.

The profession of accounting has been around for thousands of years, but the need for certification did not come about until the early nineteenth century. The Industrial Revolution was sweeping across Europe and North America, and with this came the growth of companies. With this incredible growth, owners found themselves struggling to keep abreast of all the companies' activities, and, therefore, were forced to hire outside management. In order to protect themselves from fraud and deception, the owners turned to auditors to help keep these managers honest. The profession of accounting

provided the needed help in these audits, and the field grew. It became obvious that there needed to be some sort of credibility, and the Certified Public Accountant was the answer.

The first CPA examination was held in New York in the year 1896. The original test had five candidates, of which three passed. The first examination consisted of 1) theory, 2) practical accounting, and 3) auditing. A score of 75% was needed to pass the exam, which is still the needed percentage on today's exam. The original requirements were that the candidate be at least 25 years of age, with five years experience, either through an actual job or in the study of accounting. Some individuals did pass the test, but did not fulfill the requirements. In this case, certification was not granted until all requirements could be satisfied, and until then the title of Junior Accountant was bestowed upon the individual.

Some individuals did not have to pass the test in order to become certified. Of the fifty-six certificates presented in 1896, most were due to the waiver of examination rule. Throughout the following years, the waiver of examination rule was eliminated, and the exam was being taken by more and more candidates each year.

By the year 1913, Business Law was added to the examination as the fourth part. The criticism at this time revolved around the ease of the examination. It was a known fact at the time that the theory, auditing, and law sections could be passed with a minimal amount of study. The practice

section was another world altogether. The questions were more like puzzles than real life situations, and the pass rate was a lot lower than on the other sections. Over time, these problems were eliminated, and the profession became more and more prestigious.

Just as the exam itself has changed over the years, so, too, has the responsibility of the accountant. In the nineteenth century, the auditor focused on eliminating fraud. In the twentieth century, auditing moved more towards fairness of financial statements. This change can be attributed to the steady increase in American investment in stocks and bonds. These investments were based on the financial statements of the prospective company, and as a result, accuracy was a necessity. The public became more and more dependent on the quality service of certified public accountants.<sup>3</sup>

#### Attributes for Success

The examination is composed of Accounting Practice (Part I and Part II), Accounting Theory, Auditing and Business Law. The exam is composed of 60% multiple choice in all parts, with the other 40% being composed of essay questions or problems. The individual receives four scores, one for each area with seventy-five considered to be a passing score.

Each individual state has a prescribed requirement for practicing public accounting as a CPA. While some of these requirements vary from state to state, one requirement of all State Boards of Accountancy is the use of the Uniform CPA Examination and AICPA (American Institute of Certified Public

Accountants) advisory grading service. One of the first tasks of a candidate is to write to his prospective State Board of Accountancy and inquire of the requirements for his state. For Indiana candidates, the address is the following: 1021 State Office Building, Indianapolis, IN 46204. One fact which should definitely be obtained is the application deadline, because applications will not be accepted late. For Indiana candidates, the application deadlines are March 1 for the May exam and September 1 for the November exam. Other important information which should be obtained are the exam fee, condition requirements, and the life of the condition. Although a candidate should study for the exam with the intention of passing all parts, conditioning is another approach at making the exam less fearful. In the state of Indiana, conditioning requires passing two of the areas, and receiving at least a 50% on the other areas. By doing this, the two areas which were passed do not have to be taken over again, and the candidate can focus solely on the remaining one or two sections. This conditioning does have a certain life (3 years in Indiana), and the candidate should be aware of the fact.

After fulfilling all of the steps necessary to actually take the exam, the candidate should focus on the test itself. Gleim and Delaney believe there are five essential attributes for achieving success on the examination. Although these attributes seem to be trivial, they are, in fact, the key to success on the exam.

- 1) Knowledge of the material--The key to passing a test is not the memorization of facts, but the ability to work a problem out using logic obtained through these facts. Thus, a candidate does not need to know every single fact that he has learned in his four years of higher education. The candidate must, however, be able to logically think through a problem, applying some of the basic concepts which he has obtained in his education. In an interview with Randall Augspurger, Executive Officer for Family Home Health Care in Indianapolis and formerly with Ernst and Whinney, he stated, "Employers are not looking for candidates who know only facts. They want individuals who can logically work out problems that occur in the course of a day's work. If an individual knows only facts, then he is limited in the scope of work he can do." This does not, however, mean that a candidate can get by with just being familiar with the material. The candidate must know not only how to work a problem out, but also, why we do it this way. By understanding the why of the problem, the candidate will be able to work out problems which are similar but not necessarily carbon copies. Secondly, the individual must keep on top of new issues in the accounting field because new developments are also tested on the exam.

2) Solutions Approach--This type of approach provides a systematic attack of the problem, instead of going at it in a haphazard way. The purpose is to provide efficient, complete solutions to the CPA problems.<sup>4</sup> "To each his own" is a proper quote when speaking of a problem solving approach. However an individual feels most comfortable in solving problems is probably the most appropriate route to go. Though this may be true, the individual should have a plan of attack which is followed on every problem. By doing this, it avoids skipping certain requirements. Gleim and Delaney have developed a seven-part solutions approach which can be used as a guideline.

- A) Glance over the problem--This step will enable the individual to get a feel for the type of question which is being asked.
- B) Study the requirements and visualize the solution--This step will get the candidate familiar with what exactly is needed for the question. The individual should underline key words and phrases, and mentally picture how the solution will look.
- C) Outline the required procedures mentally and review applicable knowledge--Develop a "things to do" list in your mind, and quickly review the needed principles to accomplish this list. This is the time when the individual should write down any of the mnemonic devices applicable.
- D) Study the text of the problem and prepare intermediary solutions--This step requires the thorough reading of the problem. Underline and circle important data and label which requirement they fulfill. Begin to develop a "trial" solution.
- E) Prepare the solution--Prepare a neat, organized and labeled solution to the problem.



- F) Proofread and edit--Re-read the question and your answer to make sure no mistakes were made. We are all human and can make mistakes, so this step can save a lot of points on silly errors.
- G) Review the requirements--Make sure all requirements are completed.

For some candidates, the feeling is that this method is too time consuming, and with the strict time constraints, the candidates just totally bypass it. In all actuality, the solutions approach does not waste time but, instead, saves it. The method prevents the candidate from having to continuously read and re-read the problem material. The method will take some time to get used to, but eventually the solutions approach will become a habit, and will become the only way the candidate will feel comfortable in answering exam-type questions.

- 3) Grader orientation--Another key issue to keep in mind when taking the CPA examination is the grader. The main focus should be to satisfy the grader since he is the one who awards the points. The candidate must realize the requirements given in the problem are the basis by which the grader assigns points. Therefore, it is essential to make sure that all parts, subparts, and further breakdowns are answered. Gleim and Delaney believe that with proper usage of the solutions approach and grader orientation, an additional 10 to 15 points can be received on each section of the exam.

Some key points to remember when developing grader orientation are:

- A) Always present your answer in a neat, organized way--By doing this, it tells the grader that you have pride in your work, and this may help "swing the pendulum" in your favor on a border line answer.
- B) Use the AICPA minimum suggested times to allocate time--The key to remember is to not spend too much time on one problem and neglect others.
- C) Try to answer every question, no matter how difficult--Do questions which are extremely difficult last. Another question may give one a needed hint on the solution and answering easier questions gives the candidate confidence, which may help on the harder questions.
- D) No supporting notes or computations are required for multiple choice questions, so if one doesn't know, then take an educated guess.
- E) Essay questions should be numbered and organized in relation to the requirements--Do not present the answer in outline form. Use clear, concise sentences stressing the key words. Try not to hide the facts in lengthy paragraphs because the graders are human, and their minds, too, tend to wander when reading very long, drawn out answers.
- F) Problem solutions need to be numbered and organized in relation to the requirement also--For these types of problems, scratch paper with supporting calculations are submittable, and, therefore, should be numbered to correspond to the requirements. The candidate should include all schedules which were used in the computation, and should make reference to these.

In summary, in order to excel on the CPA examination, the grader must be continuously considered. Neat, well organized answers not only give a professional appearance, but probably a sign of relief to the individual grading the exam. Since the key is to satisfy the grader, this relief provided may mean that one extra point needed to pass the exam.

- 4) Examination strategy--It is extremely important to have an examination strategy developed when sitting for a 19 1/2 hour exam. This point will be discussed later in the paper.
- 5) Examination confidence--Possessing these other four attributes will be entirely useless unless the candidate has confidence in passing the exam. A three-day examination can tend to break the spirits of those not so confident candidates. With proper preparation and the four attributes mentioned, the candidate should feel comfortable in taking and passing the exam. There will be questions for which the candidate did not prepare, and unless he possesses this confidence, the pressure could become too burdensome. The point to remember is that it is impossible to be completely prepared, so the individual must have confidence in his own problem-solving abilities in order for success on the exam.

After discussing the five attributes which will aid the candidate in passing the examination, one must look at the reasons why students fail the exam. By knowing these qualities, it can help the candidate to correct this shortcoming before preparing for, and eventually, taking the exam. When looking at the national statistics, it becomes quite obvious that the CPA examination is a formidable task. It is a common mistake to think that a college degree in accounting means that no additional steps need to be taken to pass the

exam. This may be one of the main reasons why there is only about a 30% pass rate nationally on each section of the exam. About 20% of all candidates (first-time and re-exam) sitting for each examination successfully complete the examination. The cumulative pass rate on the exam is about 70-75%; that is, the percentage of first-time candidates who eventually pass the exam.<sup>5</sup> This percentage does rise to 80-90% for serious candidates, which can be attributed to the large number of candidates who do not pursue certification after failing the first time.

The reasons for failure on the exam, according to Gleim and Delaney are:

- 1) Failure to understand the requirement--The candidates must remember that the requirements are the basis by which the grader goes by, and must be met to the best of the candidate's ability.
- 2) Misunderstanding the text of the problem--Read carefully and try to analyze just what the question is asking.
- 3) Lack of knowledge of material tested--One can never be too prepared for the exam. The candidate should be able to work out any type of accounting problem. Some candidates try to play accounting lottery, and guess what questions will be asked. When doing this, they focus only on these types of problems and neglect the rest. This is a definite problem because the exam does not always ask the obvious. The candidate must be ready for any scenario which comes about.
- 4) Inability to apply the solutions approach--The best way to attain this ability is to practice, practice, practice. Use it not only in your accounting classes, but all your classes. Soon, it will become like second nature to the candidate, which will be a big benefit during the CPA Examination.
- 5) Lack of exam strategy (e.g., time budgeting)--The exam gives a time bracket for each problem (e.g., 40-50 minutes). The candidate should try to focus on finishing the problem in the minimum amount (in this case, 40 minutes), and use the additional minutes as a buffer zone on the more time consuming ones.

- 6) Sloppiness, computational errors, etc--The candidate should always remember that neatness is a sign of professionalism. Certified public accountants are very proud of their field, and they do not want to see the prestige and professionalism taken out of their field. Therefore, sloppiness can be a definite disadvantage when it comes to borderline grades.
- 7) Failure to proofread and edit--We are all human and can make mistakes. Therefore, it becomes imperative to look over the solution and make sure that no silly errors were made.

Finally, the candidate should always remember his main goal is to pass the exam. Along with the college degree in accounting, the candidate must possess five essential attributes which are needed to pass the exam and to become a certified public accountant. The candidate should work towards developing these five attributes, while working to eliminate the seven shortcomings. When it's all added up in the end, the final outcome is a certification which the candidate can be proud of.

#### Self-Study Program

Taking the time to study for a 19 1/2 hour exam can pose a huge problem if not attacked in a systematic manner. One trait which is definitely needed is organization. The candidate must be able to not only organize his material, but also his time. A major problem is determining what and how to study.<sup>6</sup> What to study should consist of the 44 sections in the Gleim and Delaney review book, or, if this is not available, all the areas covered in the undergraduate accounting classes. The how to study is a concept which each candidate must decide for himself. The candidate should systemize his study program in a manner which is most comfortable to him. The candidate should prepare this study program in a way

which maximizes each concentrated study session. The first objective is to find the place for studying.

When doing this, many factors must be examined:

- 1) Availability--The candidate needs to find a place which will be available when the student is prepared to study.
- 2) Interruptions--The candidate should find an area which will have very few distractions and interruptions.
- 3) Lighting--A well lighted area is a necessity for proper study. Studies have proven that an individual is much more productive in well lighted areas than he would be in a more dimly lighted study area.
- 4) Accessibility--The candidate needs to choose an area which will be accessible to him. This can be very important because if the candidate chooses a study area which has a difficult accessibility, the individual will be more likely to put off studying until a later time.
- 5) Space--The student needs to have plenty of space in order to feel more relaxed and less cramped.

After determining the place to study, the candidate needs to set aside a time each day for studying. This can be a very helpful tool because the student will become accustomed to studying during this time, and it may make it easier for the student. When a predetermined study time has been set, the student feels guilty if he misses it, and this feeling of guilt could cause the student to give up that last game of Nintendo in order to hit the books. Gleim and Delaney have determined that an average of 250 hours of study time are needed to become proficient enough to pass the CPA exam. Although this appears to be a huge amount of study time, it really is quite manageable if broken down into 44 modules. This would be an average of 5 1/2 hours per module for 44 days. Over a three month period (12-13 weeks), this would mean only three or four days a week devoted to

studying. This would even leave Friday and Saturday night open for leisure activity if so desired.

When studying each module, the individual should take study breaks every hour or so. The human mind tends to wander after about 40-50 minutes of intense study, so the candidate should take a 15-20 minute break and get his mind off of the exam material. The candidate should take a leisurely walk, play a video game, eat, watch television, etc., in order to let his mind relax.

Throughout high school and an individual's undergraduate work, teachers and professors have preached the evils of last minute cramming, and for the CPA exam, there could be no better advice available. There is far too much material to try to cram into one week of intense studying. Therefore, it is imperative that the student begins immediately to prepare for the test. As Gleim and Delaney stated, "Now is the time to make a commitment."<sup>7</sup>

After deciding where and when to study, the candidate must focus on how to do it. One of the most helpful devices available is the note card. The candidate can put all of the helpful formulas, lists and mnemonic devices onto the cards and carry them wherever he goes. The student should divide the cards into three sections: Business Law, Auditing, and Practice/Theory. Most candidates feel more comfortable with information that they have written out, and the note cards provide a perfect opportunity to do this.

Another way to prepare for the exam is to stop using calculators immediately. The candidate must feel comfortable

with his computational skills, and must eliminate his dependence upon the calculator. This may be a hard habit to break, but once again the candidate will find that with a few days of the old fashioned way of computing, it will once again become second nature to the student.

A third aspect of how to study is the desired level of proficiency. All candidates would like to have 100% proficiency, but this is a highly unlikely goal. The candidate should strive for a 60-70% correct rate for multiple choice questions on the accounting practice section and a 70-75% rate on the other three parts. Since the accounting practice section is curved, it seems realistic that a 60-70% would produce a passing grade for the multiple choice questions. A major downfall for many candidates is to spend a disproportionate amount of study time on the multiple choice section. The downfall to this is the fact that the candidate will not be able to work out the problems as well during exam conditions. The student should do as many problems as possible under exam conditions in order to gain a more relaxed feeling during the exam. Gleim and Delaney also believe that working out problems will add to the candidate's proficiency on the multiple choice questions.

The absolute most important aspect of a self-study program is a systematic, orderly approach. The first step in accomplishing this is an overall strategy in your preparation. The student should begin by obtaining and organizing study materials. Next, the candidate should find the area and time most conducive for studying. Thirdly, the student



needs to work on his solutions approach. The individual then needs to prepare an examination strategy. Next, the student must study the material and answer questions under examination conditions. Finally, a periodic evaluation of progress can help to determine the areas where more work is needed.

The one point to always remember is that the exam is passable. An estimated 10,000 candidates successfully pass the examination each sitting. Although it may take some time and willpower, with the proper examination strategy, someday the title CPA will be permanently attached to your name.

#### Taking the Exam

A self-study program is a very beneficial tool, but must be combined with an examination strategy in order to have success on the examination. The first aspect of examination strategy is to get "psyched up" for the exam. A 2 1/2 day examination can be quite a fatigue on the human mind, and the candidate must not give up because of a problem that he cannot answer. The student should keep in mind that everyone in the testing room feels the same way.

The next point in developing an examination strategy is to determine what supplies are needed. The AICPA has recommended that the test be completed in pencil. Although this may seem to be trivial in nature, the candidate should experiment with all types of pencil leads and erasers. Since neatness is an important element on the examination, the individual should bring those pencils and erasers which produce the neatest appearance. It is suggested that the candidate bring five to seven pencils and two erasers into the exam.

This will allow the candidate to answer the essay questions with a sharpened point, as opposed to a dull point. Again, this may sound trivial, but the added neatness may result in additional points. It is also important to bring a watch to the examination. This will allow the student to keep track of how much time is spent on a problem. Refreshments should also be taken into the exam site, because they are conducive to exam proficiency.<sup>8</sup> Dr. Arnold Cirtin, Professor of Accounting, has recommended chocolate bars for the examination, because the chocolate will give added energy to the weary candidate. Finally, the candidate should layer his clothing in order to accommodate for temperature variations at the examination site.

The candidate should not take any study materials into the examination room. This is done for security reasons, and failure to comply could result in unfortunate circumstances for the candidate. Study materials can be brought to the site, but must be used only before or after the examination session.

After determining what to bring, the candidate should make arrangements for lodging and meals. This should be taken care of in advance, and should be convenient to the examination facilities. The candidate should not stay with relatives or fiends because they will only prove to be a distraction. Gleim and Delaney feel that uninterrupted sleep and total concentration are a necessity for success. Even if the test is given in the candidate's hometown, the individual should seek an alternate place of lodging during the

examination period. The student should consider the following when making plans for lodging:

- 1) Proximity to the exam facilities--The candidate should choose a location in which a long drive to the exam site is not necessary.
- 2) Availability of meals--Meals are a very important part of the examination strategy. The candidate should maintain normal eating habits during the examination period. One problem that is prevalent in candidates is the lack of nutritious meals during test time due to a nervous stomach. Healthy meals are needed because they provide the needed energy and alertness for the exam.
- 3) Recreational facilities--These will provide the candidate with a means of releasing tension. The candidates' lodging facilities should allow access to desired exercise programs (i.e. swimming pool for swimmers, basketball courts for basketball players, etc.).

Tenseness goes hand-in-hand with test taking, and should be expected by the candidate. Breathing and stretching exercises have been found to be quite helpful in reducing stress. Gleim and Delaney state that these types of exercises should be used before and during the examination, to start and to keep your adrenaline flowing. The two also state that the candidate should not hesitate in doing these exercises in the lobby outside the examination room if they improve exam efficiency.

In summary, the individual should realize that proper lodging is needed for success on the exam. The three days spent at this substitute home could prove to be very important in the individuals career, and, therefore, must not be chosen in a haphazard way.

Next on the examination strategy checklist is to become familiar with the examination facilities and procedures. The

candidate should visit the site the evening before the exam in order to become acquainted with the surroundings. This may reduce anxiety and could prove to be a confidence builder. Talking to a recent veteran of the exam may prove to be extremely helpful in becoming as familiar with the procedures associated with the examination. The key point to remember is that by becoming familiar as possible with the procedures and facilities, the candidate builds up a confidence which will show on the exam.

Another helpful piece of advice when taking the examination is to arrive early to the examination site. The candidate should arrive at least 30 minutes early in order to get adjusted. If the candidate is given a choice where to sit, he should choose a seat away from the door and administration table. This will keep the student from becoming distracted by late arrivals, early departures and outside conversation. Above all, do not sit near friends because they will only prove to be a distraction. The test will be distributed approximately 10 minutes before the start of the exam. This time should be used to carefully read all instructions which are printed on the front cover.

When beginning the examination, one helpful item might be to jot down any helpful acronyms at the top of the exam. The candidate should then look through all of the material on the exam and get a general idea of what type of questions (i.e. essay questions and problems) are being asked. The candidate then should choose the question which he is going to work first and begin. This period of time should be used

to write down all that the candidate knows about the topic. Do not complete the final answer until after doing the multiple choice questions, because these questions may jog the individuals' memory of additional grading concepts (especially on the essay questions). A final comment is that the individual should never leave a question blank. The candidate should imagine this question in a work related area, and should come up with as much information as possible to come to a solution.

Finally, the candidate should not talk about the examination to other candidates until, at the very earliest, Friday evening. Speaking to other candidates will only cause confusion and frustration.

Although this appears to be an extremely large amount of preparation for just one examination, it will prove to be well worth the effort once certification has been achieved. The individuals who have achieved the title CPA are extremely proud of this fact, and well they should be. Although it appears to be an insurmountable task at the beginning, once the commitment is made, it becomes easier as each day passes. The key to the preparation is to keep the final goal always in mind. Some day, with some willpower and some hard work, the individual will be one of the few, the proud, the certified public accountants.

### Footnotes

- 1) Irvin N. Gleim and Patrick R. Delaney CPA Examination Review Vol.1 p. 28.
- 2) Alvin M. Stenzel Approaching the CPA Examination: A Personal Guide to Examination Preparation p. 3.
- 3) "The First CPA Exam" Practical Accountant March 1985, p. 44.
- 4) Irving N. Gleim and Patrick R. Delaney CPA Examination Review Vol. 1 p.39.
- 5) Ibid., p. 8.
- 6) Ibid., p. 13.
- 7) Ibid., p.28.
- 8) Ibid., p.62.

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